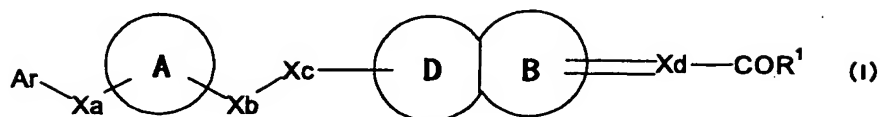


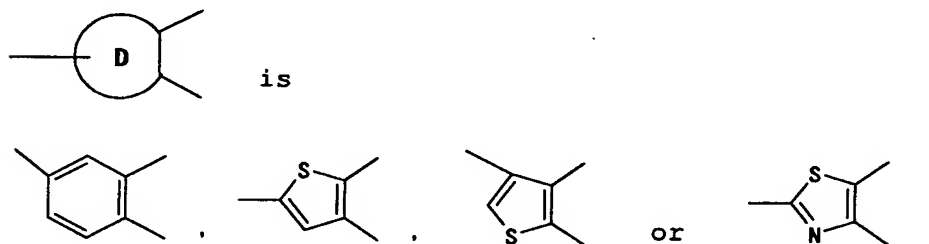
Claims

1. A compound represented by the formula:



5 wherein Ar is an optionally substituted cyclic group,
 ring A is a ring optionally further substituted (provided that
 the ring is not thiazole, oxazole, imidazole and pyrazole),
 Xa and Xb are each independently a bond or a spacer having a
 main chain of 1 to 5 atom(s),

10 Xc is O, S, SO or SO₂,



ring B is a 5- to 7-membered ring,

Xd is a bond, CH or CH₂,

..... is a single bond when Xd is a bond or CH₂, or a double bond
 15 when Xd is CH,

R¹ is an optionally substituted hydroxy group,
 provided that

(i) when ring A is benzene, the cyclic group represented by Ar
 is not a quinolinyl group,

20 (ii) when ring B is a 5- to 7-membered aromatic ring, the ring
 represented by ring A is not thiophene and furan,

(iii) when ring B is benzene, the ring represented by ring A is
 not 5-membered aromatic heterocycle, and

(iv) when ring B is cyclohexane, Xd is not a bond,
 25 provided that

[6-(4-biphenyl)methoxy-2-tetralin]acetic acid;
 methyl [6-(4-biphenyl)methoxy-2-tetralin]acetate;

[7-(4-biphenyl) methoxy-1,2,3,4-tetrahydro-2-oxo-3-quinoline]acetic acid; and
methyl [7-(4-biphenyl) methoxy-1,2,3,4-tetrahydro-2-oxo-3-quinoline]acetate are excluded,
5 or a salt thereof.

2. A prodrug of the compound of claim 1.

3. The compound of claim 1, wherein the cyclic group represented
10 by Ar is an aromatic hydrocarbon group.

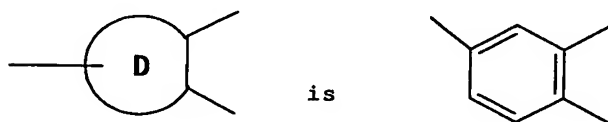
4. The compound of claim 1, wherein Xa is a bond.

5. The compound of claim 1, wherein ring A is benzene.
15

6. The compound of claim 1, wherein Xb is $-\text{CH}_2-$.

7. The compound of claim 1, wherein Xc is O.

20 8. The compound of claim 1, wherein



9. The compound of claim 1, wherein ring B is a 5- to 7-membered non-aromatic ring.

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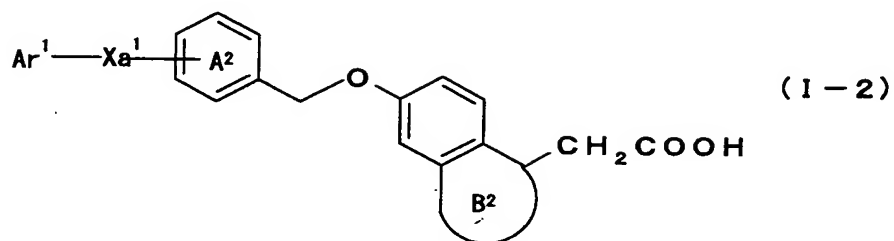
10. The compound of claim 9, wherein ring B is cyclopentane or tetrahydrofuran.

11. The compound of claim 1, wherein Xd is CH_2 .

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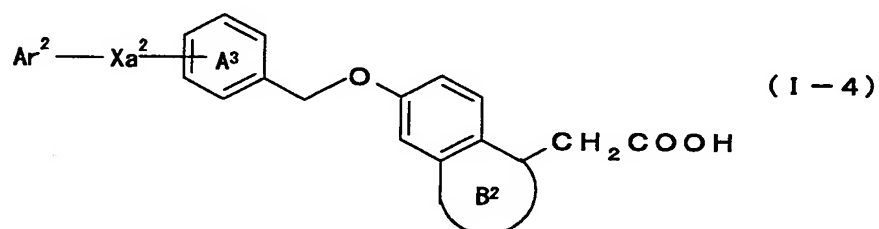
12. The compound of claim 1, wherein R^1 is a hydroxy group.

13. The compound of claim 1, which is represented by the formula:



wherein Ar^1 is an optionally substituted phenyl group or
 5 optionally substituted indanyl group,
 Xa^1 is a bond or a spacer having a main chain of 1 to 5 atom(s),
 ring A^2 is a benzene ring optionally further substituted, and
 ring B^2 is a 5- to 7-membered ring.

10 14. The compound of claim 1, which is represented by the formula:



wherein Ar^2 is an optionally substituted thiazolyl group,
 Xa^2 is a bond or a spacer having a main chain of 1 to 5 atom(s),
 15 ring A^3 is a benzene ring optionally further substituted, and
 ring B^2 is a 5- to 7-membered ring.

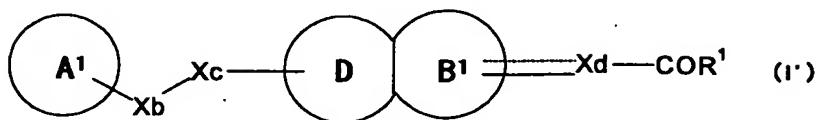
15. A pharmaceutical agent comprising the compound of claim 1 or
 a prodrug thereof.

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16. The pharmaceutical agent of claim 15, which is an agent for
 the prophylaxis or treatment of diabetes.

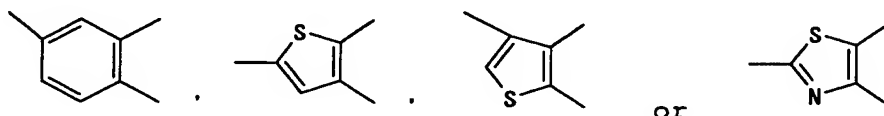
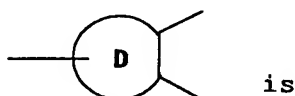
17. An insulin secretagogue comprising the compound of claim 1
 25 or a prodrug thereof.

18. A GPR40 receptor function modulator comprising a compound represented by the formula:



wherein ring A¹ is an optionally substituted ring,

- 5 Xb is a bond or a spacer having a main chain of 1 to 5 atom(s),
Xc is O, S, SO or SO₂,



ring B¹ is a 5- to 7-membered non-aromatic ring,

Xd is a bond, CH or CH₂,

- 10 is a single bond when Xd is a bond or CH₂, or a double bond when Xd is CH, and
R¹ is an optionally substituted hydroxy group, or a salt thereof, or a prodrug thereof.

- 15 19. A method of modulating a GPR40 receptor function in a mammal, which comprises administering an effective amount of the compound of claim 18 or a prodrug thereof to the mammal.

- 20 20. Use of the compound of claim 18 or a prodrug thereof for the production of a GPR40 receptor function modulator.